

**CITY OF CROSSVILLE, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**CITY OF CROSSVILLE, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Officials of the City of Crossville	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Government-Wide Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	19-21
Statement of Net Position – Proprietary Fund	22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund	24
Notes to Financial Statements	25-52
<b>Required Supplementary Information:</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	53
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	54
Schedule of Changes in Total OPEB Liability and Related Ratios	55
Notes to Required Supplementary Information	56
<b>SUPPLEMENTARY AND OTHER INFORMATION SECTION</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	58

**CITY OF CROSSVILLE, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

**Table of Contents**

	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual:	
State Street Aid Fund	59
Drug Control Fund	60
Schedule of Expenditures of Federal Awards and State Financial Assistance	61
Schedule of Principal and Interest Requirements:	
Governmental Activities	62
Business-type Activities	63-64
Schedule of Changes in Property Taxes Receivable	65
AWWA Water Loss Reporting Worksheet (Unaudited)	66
AWWA Water System Attributes and Performance Indicators (Unaudited)	67
Schedule of Tax Rates and Assessments (Unaudited)	68
Schedule of Utility Rate Structure and Number of Customers (Unaudited)	69
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71
Schedule of Prior Year Findings	72
Schedule of Findings and Responses	73

# **INTRODUCTORY SECTION**



**OFFICIALS OF THE CITY OF CROSSVILLE  
JUNE 30, 2018**

**Board of Mayor and City Council**

James Mayberry	Mayor
Pamala Harris	Councilmember
Danny Wyatt	Councilmember
J.H. Graham III	Mayor Pro Tem
Scot Shanks	Councilmember

**Appointed Officials**

Greg Wood	City Manager
Fred Houston, CPA	Finance Director

# **FINANCIAL SECTION**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Crossville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Crossville, Tennessee, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

---

---

**603 NW Atlantic Street, Tullahoma, Tennessee 37388**

**Phone (931) 393-3307**

**Fax (931) 563-5585**

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Crossville, Tennessee as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

The City of Crossville, Tennessee has adopted the provisions of the Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements, in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary and other information sections as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the supplementary information including the schedule of expenditures of federal awards and state financial assistance, schedules of principal and interest requirements for governmental and enterprise funds, and changes in property taxes receivable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other information listed in the table of contents as schedule of property tax rates and assessments, schedule of utility rate structure and number of customers, and AWWA water loss worksheets have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Crossville, Tennessee's internal control over financial reporting and compliance.

*MG Group, P.C.*

Tullahoma, Tennessee  
October 25, 2018

## **Management's Discussion and Analysis**

### **City of Crossville, Tennessee**

**June 30, 2018**

As management of the City of Crossville, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

#### **Financial Highlights:**

- The assets of the City of Crossville exceeded its liabilities at the close of the most recent year by \$106,719,823. Of this amount, \$21,264,339 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Crossville received from the U.S. Department of Transportation a Grant in the amount of, \$305,111 as a Northwest Connector.
- The City of Crossville received a grant from the U.S. Department of Justice in the amount of, \$1,693 for Bulletproof Vests.
- The City of Crossville received a grant from the State of Tennessee Department of Economic and Community Development in the amount of, \$4,915 for the Crossville Three Star Program.
- The City of Crossville Police Department also received a grant from the Governor's Highway Safety in the amount of, \$30,794 for Alcohol Saturation and Checkpoints.
- The City of Crossville received from the Tennessee Department of Agriculture a State Tree Board Grant in the amount of, \$25,600.
- The City of Crossville receives Aeronautics grants totaling \$7,112 for work done at the airport.
- The City of Crossville has grants from the Tennessee Department of Transportation for Edison Grants. These are used for Recreation Park and a Site grant. The monies received for 2017 was \$642,702.
- The City of Crossville received from the Tennessee Department of Agriculture a Tennessee Agriculture Enhancement Program Grant in the amount of, \$5,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,823,196.

# **Management's Discussion and Analysis**

## **City of Crossville, Tennessee**

**June 30, 2018**

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Crossville's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Crossville include general government, public works, public safety, state street aid, and public welfare and recreation. The business-type activities of the City include Water and Sewer services.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Crossville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at

## **Management's Discussion and Analysis**

### **City of Crossville, Tennessee**

**June 30, 2018**

the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may be better to understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data for the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the nonmajor funds.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operations, as well as the operation of the Catoosa Water System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer operations which is considered to be a major fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in this report.



**Management's Discussion and Analysis**  
**City of Crossville, Tennessee**  
**June 30, 2018**

**Financial Analysis of the Financial Statements**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crossville, assets exceeded liabilities by \$106,510,915 at the close of this fiscal year.

By far the largest portion of the City's assets (80%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# Management's Discussion and Analysis

## City of Crossville, Tennessee

June 30, 2018

### City of Crossville's Net Position

	Governmental 2018	Activities 2017	Business-type 2018	Activities 2017
Current and other assets	\$17,910,705	\$17,715,836	\$8,402,998	\$ 9,533,437
Capital Assets	<u>45,955,095</u>	<u>44,560,728</u>	<u>71,754,858</u>	<u>72,220,730</u>
<b>Total Assets</b>	63,865,800	62,276,564	80,157,856	81,754,167
Deferred Outflows of Resources	<u>2,136,205</u>	<u>2,397,733</u>	<u>694,103</u>	<u>740,325</u>
<b>Total Deferred Outflows</b>	2,136,205	2,397,733	694,103	740,325
Long-term liabilities outstanding	10,096,658	9,664,130	25,233,145	28,289,728
Other Liabilities	<u>1,163,539</u>	<u>539,165</u>	<u>663,875</u>	<u>302,384</u>
<b>Total Liabilities</b>	11,260,197	10,203,295	25,897,020	28,592,112
Deferred Inflows of Resources	<u>2,918,612</u>	<u>2,707,912</u>	<u>58,312</u>	<u>-72,891</u>
<b>Total Deferred Inflows</b>	2,918,612	2,707,912	58,312	-72,891
Net Position				
Net Investment in Capital Assets	37,945,959	34,364,325	47,098,180	44,421,523
Restricted	411,345	454,123	-	-
Unrestricted	<u>13,465,892</u>	<u>16,944,642</u>	<u>7,798,447</u>	<u>9,553,748</u>
<b>Total net position</b>	<u>\$51,823,196</u>	<u>\$51,763,090</u>	<u>\$54,896,627</u>	<u>\$53,975,271</u>

Changes in net position. Governmental activities increased the City's net position by \$60,106.  
Business-type activities net position increased by \$921,356.

**Management's Discussion and Analysis**  
**City of Crossville, Tennessee**  
**June 30, 2018**

**City of Crossville's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>Revenues</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Program revenues</u>				
Charges for services	\$ 362,655	\$ 437,632	\$10,544,634	\$10,414,449
Operating grants and contributions	593,712	319,927	-	250,259
Capital grants and contributions	588,492	983,925	-	-
<u>General Revenues</u>				
Property taxes	2,485,511	2,551,314	-	-
Sales taxes	8,027,070	7,839,340	-	-
Other taxes	4,502,342	3,438,815	-	-
Other	1,189,808	1,264,564	106,688	20,972
Transfers	<u>200,000</u>	<u>196,824</u>	<u>-200,000</u>	<u>-196,824</u>
Total revenues	<u>\$ 17,949,590</u>	<u>\$ 17,032,341</u>	<u>\$10,451,322</u>	<u>\$10,488,856</u>
<u>Governmental Activities</u>				
General Government	\$3,446,846	\$ 3,342,073	-	-
Public Safety	7,469,302	5,734,408	-	-
Public Works	2,898,008	1,964,330	-	-
Recreation	87,258	1,348,073	-	-
Other	2,418,522	838,380	-	-
Debt Service	<u>222,923</u>	<u>258,889</u>	<u>-</u>	<u>-</u>
<u>Water &amp; Sewer</u>				
Total expenses	<u>\$16,542,859</u>	<u>\$13,486,153</u>	<u>\$9,212,910</u>	<u>\$ 8,917,519</u>
Change in Net Position	1,406,731	3,546,188	1,238,412	1,571,337
Net Position, as previously reported	51,763,090	48,216,902	53,975,271	52,137,932
Prior Period Adjustment	-1,346,625	31,345	-317,056	388,493
Net Position, beg. Of year as restated	<u>50,416,465</u>	<u>48,248,247</u>	<u>53,658,215</u>	<u>52,526,425</u>
Net Position, end of year	<u>\$51,823,196</u>	<u>\$51,763,090</u>	<u>\$54,896,627</u>	<u>\$53,975,271</u>

## **Management's Discussion and Analysis**

### **City of Crossville, Tennessee**

**June 30, 2018**

Significant variances in Governmental Activities revenues and expenditures from that of the prior year were as follows:

- The overall expenditures increased by approximately \$3,056,706.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental Funds**

The focus of the City of Crossville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,823,196, a increase of \$60,106 in comparison with the prior year. Within the governmental funds, \$411,345 is non-spendable or restricted in the General and Other Governmental Funds.

The general fund is the chief operation fund of the City of Crossville, Tennessee. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$ 13,650,458. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 81.25% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$1,051,207.

#### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Assets at the end of the year for the Water and Sewer Fund amounted to \$7,798,447.

**Management's Discussion and Analysis**  
**City of Crossville, Tennessee**  
**June 30, 2018**

**General Fund Budgetary Highlights**

The budget for income did not change.

**Capital Assets**

The City of Crossville's investment in capital assets from its governmental and business-type activities at June 30, 2018, amounts to \$117,709,948 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total of the City's investment in capital assets for the current fiscal year increased in the amount of, \$928,495 (a net increase of \$1,394,367 for governmental activities and a net decrease of \$465,872, for business-type activities).

**City of Crossville's Capital Assets**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Land	\$ 8,104,968	\$ 574,816	\$ 8,679,784
Buildings/land improvement and utility plant	27,683,228	115,349,734	143,032,962
Equipment, Vehicles and furniture	10,323,603	4,472,922	14,796,525
Infrastructure	21,582,373	-	21,582,373
Construction in progress	<u>5,218,375</u>	<u>4,169,152</u>	<u>9,387,527</u>
	<u>72,912,547</u>	<u>124,566,623</u>	<u>197,479,170</u>
Less Accumulated Depreciation	<u>26,957,452</u>	<u>52,811,770</u>	<u>79,769,222</u>
Net Capital Assets	<u>\$45,955,095</u>	<u>\$71,754,853</u>	<u>\$117,709,948</u>

Additional information on the City of Crossville's capital assets can be found in the notes to the financial statements section of this report.

## Management's Discussion and Analysis

### City of Crossville, Tennessee

June 30, 2018

#### Long-term Debt

At the end of the current year, the City of Crossville had debt outstanding of \$32,640,447. Of this amount, \$1,843,497 is due in the next fiscal year.

#### City of Crossville's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Principal due in the next fiscal year	\$ 431,784	1,411,713	1,843,497

The City of Crossville has a combined total debt decreased in the amount of \$3,601,919 during the current fiscal year.

Additional information on the City of Crossville's debt can be found in the notes to the financial statements section of this report.

#### Requests for Information

This financial report is designed to provide a general overview of the City of Crossville, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Mr. Fred Houston, CPA.

**City of Crossville, Tennessee**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,716,465	\$ 6,513,886	\$ 18,230,351
Investment in pooled cash	686,451	-	686,451
Receivables	-		
Taxes	2,929,328	-	2,929,328
Accounts receivable	52,534	462,618	515,152
Other receivables	493,265	28,246	521,511
Unbilled revenues	-	947,514	947,514
Less allowance for doubtful accounts	(116,201)	(17,153)	(133,354)
Due from other governments	1,822,678	-	1,822,678
Accrued interest	78,495	-	78,495
Inventories	176,134	380,000	556,134
Restricted cash and cash equivalents	71,556	87,887	159,443
Capital assets, not being depreciated	13,323,343	4,743,968	18,067,311
Capital assets being depreciated, net	32,631,752	67,010,890	99,642,642
Total assets	63,865,800	80,157,856	144,023,656
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	-	128,084	128,084
Related to pension	2,136,205	566,019	2,702,224
Total deferred outflows of resources	2,136,205	694,103	2,830,308
<b>LIABILITIES</b>			
Accounts payable	997,251	470,099	1,467,350
Accrued payroll and payroll liabilities	112,950	44,408	157,358
Accrued interest payable	25,129	23,710	48,839
Other payables	27,735	37,771	65,506
Due to other governments	474	-	474
Retainage payable	-	87,887	87,887
Noncurrent Liabilities:			
Due within one year	431,784	1,411,713	1,843,497
Due in more than one year	7,577,352	23,332,957	30,910,309
Compensated absences	308,823	92,837	401,660
Net pension liability	245,108	61,278	306,386
Net OPEB liability	1,419,040	334,360	1,753,400
Landfill postclosure care	114,551	-	114,551
Total Liabilities	11,260,197	25,897,020	37,157,217
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessed and not levied property taxes	2,667,035	-	2,667,035
Related to pensions	233,249	58,312	291,561
Other deferred/unavailable revenue	18,328	-	18,328
Total deferred inflows of resources	2,918,612	58,312	2,976,924
<b>NET POSITION</b>			
Net investment in capital assets	37,945,959	47,098,180	85,044,139
Restricted for:	-		
Streets and roads	288,469	-	288,469
Drug control and investigation	122,876	-	122,876
Unrestricted	13,465,892	7,798,447	21,264,339
Total net position	\$ 51,823,196	\$ 54,896,627	\$ 106,719,823

See notes to the financial statements

**City of Crossville, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,446,846	\$ 99,115	\$ 197,178	\$ -	\$ (3,150,553)	\$ -	\$ (3,150,553)
Public safety	7,469,302	19,821	18,018	-	(7,431,463)	-	(7,431,463)
Public works	2,898,008	-	-	305,111	(2,592,897)	-	(2,592,897)
Cemeteries	87,258	-	-	-	(87,258)	-	(87,258)
Airport	423,165	115,058	-	283,381	(24,726)	-	(24,726)
Parks and recreation	1,488,715	128,661	-	-	(1,360,054)	-	(1,360,054)
Tourism development	325,780	-	-	-	(325,780)	-	(325,780)
Health and welfare	180,862	-	378,516	-	197,654	-	197,654
Interest on Long-Term Debt	222,923	-	-	-	(222,923)	-	(222,923)
Total Governmental Activities	16,542,859	362,655	593,712	588,492	(14,998,000)	-	(14,998,000)
Business-type activities							
Water and Sewer	9,212,910	10,544,634	-	-	-	1,331,724	1,331,724
Total Primary Government	\$ 25,755,769	\$ 10,907,289	\$ 593,712	\$ 588,492	(14,998,000)	1,331,724	(13,666,276)
General revenues:							
Property taxes					2,485,511	-	2,485,511
Interest and penalty					23,200	-	23,200
In-lieu of taxes					821,434	-	821,434
Local sales tax					8,027,070	-	8,027,070
Wholesale beer tax					647,630	-	647,630
Wholesale liquor tax					456,509	-	456,509
Business taxes					729,514	-	729,514
Cable TV franchise tax					139,495	-	139,495
Telecommunications tax					26,414	-	26,414
State sales tax					935,804	-	935,804
State gas & motor fuel tax					365,466	-	365,466
Other state revenue					356,876	-	356,876
Fines & forfeitures					109,329	-	109,329
Licenses and permits					399,630	-	399,630
Other revenues					430,846	2,404	433,250
Interest on investments					146,635	104,284	250,919
Gain (loss) on sale of capital assets					103,368	-	103,368
Transfers					200,000	(200,000)	-
Total general revenues and transfers					16,404,731	(93,312)	16,311,419
Change in net position					1,406,731	1,238,412	2,645,143
Net position - beginning, as previously reported					51,763,090	53,975,271	105,738,361
Effect of change in accounting principle					(1,346,625)	(317,056)	(1,663,681)
Net position - beginning, as restated					50,416,465	53,658,215	104,074,680
Net position - ending					\$ 51,823,196	\$ 54,896,627	\$ 106,719,823

See notes to the financial statements



**City of Crossville, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,552,300	\$ 17,804	\$ 146,361	\$ 11,716,465
Investment in pooled cash	445,553	-	240,898	686,451
Restricted cash and cash equivalents	71,556	-	-	71,556
Accounts receivable	52,534	-	-	52,534
Allowance for uncollectibles	(5,247)	-	-	(5,247)
Due from other governments	1,789,360	-	33,318	1,822,678
Property taxes receivable	2,929,328	-	-	2,929,328
Allowance for uncollectible property taxes	(110,954)	-	-	(110,954)
Other receivables	493,265	-	-	493,265
Interest receivable	78,495	-	-	78,495
Inventory	176,134	-	-	176,134
Total assets	<u>\$ 17,472,324</u>	<u>\$ 17,804</u>	<u>\$ 420,577</u>	<u>\$ 17,910,705</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 970,215	\$ 17,804	\$ 9,232	\$ 997,251
Accrued payroll and accrued liabilities	112,950	-	-	112,950
Other payables	27,735	-	-	27,735
Interest payable	25,129	-	-	25,129
Due to other governments	474	-	-	474
Total liabilities	<u>1,136,503</u>	<u>17,804</u>	<u>9,232</u>	<u>1,163,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessed and not levied property taxes	2,667,035	-	-	2,667,035
Other deferred/unavailable revenue	18,328	-	-	18,328
Total deferred inflows of resources	<u>2,685,363</u>	<u>-</u>	<u>-</u>	<u>2,685,363</u>
<b>FUND BALANCES</b>				
Non-spendable	176,134	-	-	176,134
Restricted	-	-	411,345	411,345
Unassigned	13,474,324	-	-	13,474,324
Total fund balances	<u>13,650,458</u>	<u>-</u>	<u>411,345</u>	<u>14,061,803</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,472,324</u>	<u>\$ 17,804</u>	<u>\$ 420,577</u>	<u>\$ 17,910,705</u>

See notes to the financial statements.

**City of Crossville, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2018**

Amounts reported for governmental activities in the statement  
of net position are different because:

Total fund balances - balance sheet - governmental funds	\$ 14,061,803
----------------------------------------------------------	---------------

(1)

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds:

Land	\$ 8,104,968	
Construction in progress	5,218,376	
Improvements other than buildings	17,615,355	
Buildings and plant	10,067,873	
Vehicles	5,029,353	
Rolling stock	1,417,179	
Other equipment	3,877,070	
Infrastructure	21,582,373	
Less: accumulated depreciation	<u>(26,957,452)</u>	45,955,095

(2) Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the governmental funds:

Net pension liability	\$ (245,108)	
Landfill postclosure care costs	(114,551)	
Compensated absences	(308,823)	
Net postemployment liabilities	(1,419,040)	
Long-term debt due within one year	(431,784)	
Long-term debt due in more than one year	<u>(7,577,352)</u>	(10,096,658)

(3) Amounts reported as deferred outflows of resources and deferred  
inflows of resources related to pensions will be amortized and recognized  
as components of pension expense in future years:

Deferred outflows of resources related to pensions	\$ 2,136,205	
Deferred inflows of resources related to pensions	<u>(233,249)</u>	<u>1,902,956</u>

Net position of governmental activities	<u><u>\$ 51,823,196</u></u>
-----------------------------------------	-----------------------------

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local taxes	\$ 13,078,895	\$ -	\$ -	\$ 13,078,895
Licenses and permits	399,630	-	-	399,630
Charges for current services	362,655	-	-	362,655
Fines, forfeitures and penalties	89,331	-	19,998	109,329
Other local revenue	263,386	-	37,150	300,536
Sale of surplus property	73,217	-	30,151	103,368
Intergovernmental	2,458,559	76,719	365,466	2,900,744
Investment earnings	143,420	-	3,215	146,635
Total revenues	16,869,093	76,719	455,980	17,401,792
<b>Expenditures:</b>				
Current:				
General government	3,523,874	-	-	3,523,874
Public safety	7,838,128	-	56,460	7,894,588
Public works	2,110,187	-	278,460	2,388,647
Cemeteries	105,477	-	-	105,477
Airport	172,357	-	-	172,357
Parks and recreation	1,266,344	-	-	1,266,344
Tourism development	324,399	-	-	324,399
Health and welfare	180,862	-	-	180,862
Capital outlay	-	1,298,467	-	1,298,467
Debt service	648,623	-	-	648,623
Total expenditures	16,170,251	1,298,467	334,920	17,803,638
<b>Excess (deficiency) of revenues over (under) expenditures</b>	698,842	(1,221,748)	121,060	(401,846)
<b>Other Financing Sources (Uses)</b>				
Transfers in	200,000	1,221,748	-	1,421,748
Transfers out	(1,221,748)	-	-	(1,221,748)
Total other financing sources and uses	(1,021,748)	1,221,748	-	200,000
<b>Net change in fund balances</b>	(322,906)	-	121,060	(201,846)
<b>Fund balances - beginning</b>	13,973,364	-	290,285	14,263,649
<b>Fund balances - ending</b>	\$ 13,650,458	\$ -	\$ 411,345	\$ 14,061,803

See notes to the financial statements.

**City of Crossville, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement  
of activities are different because:

Net change in fund balances - total governmental funds	\$	(201,846)
--------------------------------------------------------	----	-----------

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expenses. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$ 4,194,935		
Less: current-year depreciation expense	(2,080,918)		2,114,017

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.

Less: book value of capital assets disposed	175,072		
Add: donations of capital assets	-		175,072

The issuance of long-term debt (e.g. bonds, notes, capitalized leases and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar item when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.

Long-term debt principal payment	(425,700)		
Compensated absences	(14,859)		
Landfill postclosure care costs	(26,931)		
Other changes in long-term liabilities	143,620		(323,870)

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The net effect of these transactions is to decrease net position.

(70,092)

The current year's change in the net pension and net OPEB liability increases net expenses on the government-wide statements.

(286,550) (356,642)

Change in net position of governmental activities	\$	<u>1,406,731</u>
---------------------------------------------------	----	------------------

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Local taxes	\$ 13,105,000	\$ 13,105,000	\$ 13,078,895	\$ (26,105)
Licenses and permits	337,500	337,500	399,630	62,130
Charges for services	284,200	284,200	362,655	78,455
Fines, forfeitures and penalties	89,950	89,950	89,331	(619)
Other local revenue	136,700	136,700	263,386	126,686
Sale of surplus property	10,000	10,000	73,217	63,217
Intergovernmental	4,378,690	4,378,690	2,458,559	(1,920,131)
Investment earnings	60,000	60,000	143,420	83,420
Total revenues	18,402,040	18,402,040	16,869,093	(1,532,947)
<b>Expenditures:</b>				
<b>General Government</b>				
<u>City Court</u>				
Contractual services	27,400	27,900	26,472	1,428
	27,400	27,900	26,472	1,428
<u>Legislative Board</u>				
Personnel expenditures	67,450	71,250	71,353	(103)
Contractual services	5,750	5,750	5,597	153
Supplies	850	850	147	703
	74,050	77,850	77,097	753
<u>Central Staff</u>				
Personnel expenditures	723,265	723,265	679,830	43,435
Contractual services	61,400	61,400	41,854	19,546
Supplies	21,750	21,750	17,897	3,853
	806,415	806,415	739,581	66,834
<u>Information Technology</u>				
Personnel expenditures	142,310	142,310	136,106	6,204
Contractual services	4,600	4,600	8,968	(4,368)
Supplies	4,750	4,750	3,723	1,027
Capital outlay	23,000	23,000	23,034	(34)
	174,660	174,660	171,831	2,829
<u>Engineering</u>				
Personnel expenditures	400,300	400,300	295,462	104,838
Contractual services	10,300	10,300	8,165	2,135
Supplies	24,700	24,700	9,486	15,214
	435,300	435,300	313,113	122,187
<u>Stormwater</u>				
Personnel expenditures	125,200	125,200	121,810	3,390
Contractual services	7,150	7,150	6,274	876
Supplies	4,550	4,550	3,857	693
	136,900	136,900	131,941	4,959
<u>Planning and Zoning</u>				
Personnel expenditures	202,150	202,650	193,308	9,342
Contractual services	90,425	90,425	24,540	65,885
Supplies	9,750	9,850	7,759	2,091
	302,325	302,925	225,607	77,318
<u>General Government &amp; Buildings</u>				
Contractual services	182,450	182,450	168,389	14,061
Supplies	4,400	4,400	3,979	421
Fixed charges	1,300	1,300	843	457
	188,150	188,150	173,211	14,939

See notes to the financials.

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund (Cont.)**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>With Final Budget</b>
<b><u>Maintenance</u></b>				
Personnel expenditures	765,200	765,200	712,662	52,538
Contractual services	61,150	61,150	40,970	20,180
Supplies	87,000	87,000	60,980	26,020
Fixed charges	2,750	2,750	1,181	1,569
Capital outlay	60,700	60,700	50,325	10,375
	<u>976,800</u>	<u>976,800</u>	<u>866,118</u>	<u>110,682</u>
<b><u>Administration</u></b>				
Personnel expenditures	148,250	148,250	115,941	32,309
Contractual services	260,950	260,950	162,094	98,856
Supplies	5,000	5,000	4,286	714
Fixed charges	225,350	225,350	206,983	18,367
Grants, contracts and other	289,000	289,000	309,599	(20,599)
	<u>928,550</u>	<u>928,550</u>	<u>798,903</u>	<u>129,647</u>
Total general government	<u>4,050,550</u>	<u>4,055,450</u>	<u>3,523,874</u>	<u>531,576</u>
<b><u>Public Safety</u></b>				
<b><u>Police Department</u></b>				
Personnel expenditures	3,130,100	3,130,100	2,804,144	325,956
Contractual services	415,100	435,552	466,667	(31,115)
Supplies	205,000	205,000	171,470	33,530
Fixed charges	1,750	1,750	916	834
Grants, contracts and other	54,500	54,500	60,010	(5,510)
Capital outlay	-	-	23,235	(23,235)
	<u>3,806,450</u>	<u>3,826,902</u>	<u>3,526,442</u>	<u>300,460</u>
<b><u>Fire Department</u></b>				
Personnel expenditures	1,977,800	1,977,800	1,829,126	148,674
Contractual services	390,450	404,540	470,020	(65,480)
Supplies	179,100	179,100	97,763	81,337
Fixed charges	750	750	911	(161)
Grants, contracts and other	31,500	31,500	31,500	-
Capital outlay	109,850	1,719,850	1,882,366	(162,516)
	<u>2,689,450</u>	<u>4,313,540</u>	<u>4,311,686</u>	<u>1,854</u>
Total public safety	<u>6,495,900</u>	<u>8,140,442</u>	<u>7,838,128</u>	<u>302,314</u>
<b><u>Public Works</u></b>				
<b><u>Public Works Department</u></b>				
Personnel expenditures	780,275	780,275	695,487	84,788
Contractual services	609,650	620,558	430,803	189,755
Supplies	144,198	144,198	115,555	28,643
Building materials	849,360	849,360	607,275	242,085
Fixed charges	4,000	4,000	4,896	(896)
Grants, contracts and other	325,000	337,400	256,171	81,229
	<u>2,712,483</u>	<u>2,735,791</u>	<u>2,110,187</u>	<u>625,604</u>
Total public works	<u>2,712,483</u>	<u>2,735,791</u>	<u>2,110,187</u>	<u>625,604</u>
<b><u>Cemeteries</u></b>				
Personnel expenditures	77,600	77,600	67,863	9,737
Contractual services	5,400	5,400	9,070	(3,670)
Supplies	6,875	6,875	4,124	2,751
Capital outlay		20,000	24,420	(4,420)
	<u>89,875</u>	<u>109,875</u>	<u>105,477</u>	<u>4,398</u>
Total cemeteries	<u>89,875</u>	<u>109,875</u>	<u>105,477</u>	<u>4,398</u>

See notes to the financials

**City of Crossville, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund (Cont.)**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>With Final Budget</b>
<b>Municipal Airport</b>				
Contractual services	113,000	113,000	108,724	4,276
Supplies	1,100	1,100	1,119	(19)
Fixed charges	4,200	4,200	2,921	1,279
Capital outlay	602,000	602,000	59,593	542,407
	720,300	720,300	172,357	547,943
Total municipal airport	720,300	720,300	172,357	547,943
<b>Parks and Recreation</b>				
Personnel expenditures	694,099	694,099	633,457	60,642
Contractual services	379,075	379,075	355,131	23,944
Supplies	123,450	153,850	144,198	9,652
Fixed charges	6,500	6,500	5,501	999
Capital outlay	176,000	176,000	128,057	47,943
	1,379,124	1,409,524	1,266,344	143,180
Total parks and recreation	1,379,124	1,409,524	1,266,344	143,180
<b>Tourism Development</b>				
Marketing and Promotion				
Personnel expenditures	87,410	87,410	85,346	2,064
Contractual services	27,000	30,000	34,470	(4,470)
Supplies	3,275	3,275	2,773	502
Grants, contracts and other	241,825	241,825	201,810	40,015
	359,510	362,510	324,399	38,111
Total tourism development	359,510	362,510	324,399	38,111
<b>Health and Welfare</b>				
Contributions to other agencies	184,647	190,647	180,862	9,785
<b>Debt Service</b>				
Agent fees	6,000	6,000	700	5,300
Principal	425,000	425,000	425,000	-
Interest	225,000	225,000	222,923	2,077
Total debt service	656,000	656,000	648,623	7,377
Total expenditures	16,648,389	18,380,539	16,170,251	2,210,288
Excess of revenues over expenditures	1,753,651	21,501	698,842	(677,341)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(2,227,102)	(2,227,102)	(1,221,748)	(1,005,354)
Transfers in	200,000	200,000	200,000	-
Total other financing sources and uses	(2,027,102)	(2,027,102)	(1,021,748)	(1,005,354)
Net change in fund balances	\$ (273,451)	\$ (2,005,601)	(322,906)	\$ (1,682,695)
Fund balances - beginning			13,973,364	
Fund balances - ending			\$ 13,650,458	

See notes to the financials

**City of Crossville, Tennessee**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Enterprise Funds</b>		
	<b>Catoosa Water</b>	<b>Crossville Water/Sewer</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 170,356	\$ 12,145	\$ 182,501
Investment in LGIP	1,617,411	4,713,974	6,331,385
Accounts receivable, net	170,708	274,757	445,465
Unbilled revenues	93,970	853,544	947,514
Other receivables	75	28,171	28,246
Inventory	103,871	276,129	380,000
Total current assets	2,156,391	6,158,720	8,315,111
Noncurrent Assets:			
Restricted cash and cash equivalents	5,521	82,366	87,887
Capital assets:			
Land	128,968	445,848	574,816
Buildings and plant	19,626,159	96,470,650	116,096,809
Machinery, equipment, and vehicles	518,952	3,206,895	3,725,847
Construction-in-progress	614,049	3,555,103	4,169,152
Less accumulated depreciation	(7,480,692)	(45,331,078)	(52,811,770)
Total noncurrent assets	13,412,957	58,429,784	71,842,741
Total assets	15,569,348	64,588,504	80,157,852
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	128,084	-	128,084
Related to pension	146,328	419,691	566,019
	274,412	419,691	694,103
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	90,117	379,978	470,095
Accrued payroll and payroll liabilities	10,635	33,773	44,408
Retainage payable	5,521	82,366	87,887
Accrued interest payable	2,071	21,639	23,710
Other current liabilities	14,899	22,872	37,771
Bonds payable, current	343,300	1,068,413	1,411,713
Total current liabilities	466,543	1,609,041	2,075,584
Noncurrent liabilities:			
Bonds payable, net of current	4,627,252	18,705,705	23,332,957
Compensated absences	22,146	70,691	92,837
Net pension liability	15,320	45,958	61,278
Total OPEB liability	88,884	245,476	334,360
Total noncurrent liabilities	4,753,602	19,067,830	23,821,432
Total liabilities	5,220,145	20,676,871	25,897,016
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	14,578	43,734	58,312
	14,578	43,734	58,312
<b>NET POSITION</b>			
Net investment in capital assets	8,436,885	38,661,295	47,098,180
Unrestricted	2,172,152	5,626,295	7,798,447
Total net position	\$ 10,609,037	\$ 44,287,590	\$ 54,896,627



**City of Crossville, Tennessee**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<u>Catoosa</u> <u>Water</u>	<u>Crossville</u> <u>Water/Sewer</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services:			
Metered water sales	\$ 1,816,348	\$ 4,759,167	\$ 6,575,515
Sewer service chgs		3,190,797	3,190,797
Customer service	12,731	14,470	27,201
Tap and connection fees	119,799	206,596	326,395
Penalties/ returned ck chgs	34,713	71,176	105,889
Misc revenue	994	347,978	348,972
Bad debt	(13,231)	(16,904)	(30,135)
Total operating revenues	1,971,354	8,573,280	10,544,634
<b>Operating Expenses</b>			
Transmission and distribution	505,945	2,079,020	2,584,965
Sewer treatment and disposal	-	1,903,348	1,903,348
Customer accounting and collection	202,468	316,193	518,661
Adminstration and general	61,676	418,597	480,273
Depreciation	530,968	2,515,095	3,046,063
Total operating expenses	1,301,057	7,232,253	8,533,310
Operating income	670,297	1,341,027	2,011,324
<b>Nonoperating Revenues (Expenses)</b>			
Interest earnings	21,368	82,916	104,284
Leases	-	2,404	2,404
Interest expense	(115,203)	(544,462)	(659,665)
Bond service fees	(9,827)	(10,108)	(19,935)
Total nonoperating revenues (expenses)	(103,662)	(469,250)	(572,912)
Income before transfers	566,635	871,777	1,438,412
Transfer (out) to general fund	-	(200,000)	(200,000)
<b>Change in net position</b>	566,635	671,777	1,238,412
<b>Net position - beginning (restated)- See Notes</b>	10,042,402	43,615,813	53,658,215
<b>Net position - ending</b>	\$ 10,609,037	\$ 44,287,590	\$ 54,896,627

See notes to the financial statements

**City of Crossville, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 10,544,634
Cash paid to employees for services	(1,532,794)
Cash paid to suppliers of goods and services	(3,854,315)
Net cash provided by operating activities	<u>5,157,525</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers (to) other funds	(200,000)
Net cash used by noncapital financing activities	<u>(200,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisitions of capital assets	(2,421,825)
Fees paid on bonds	(19,935)
Interest paid on capital debt	(659,665)
Principal paid on capital debt	(3,258,540)
Net cash used by capital and related financing activities	<u>(6,359,965)</u>
<b>Cash Flows from Investing Activities</b>	
Leases	2,404
Interest received	104,284
Net cash provided by investing activities	<u>106,688</u>
Net increase (decrease) in cash	(1,295,752)
Cash, beginning of year	<u>7,809,638</u>
Cash, end of year	<u><u>\$ 6,513,886</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operations</b>	
Operating Income	\$ 2,011,324
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,046,063
(Increase) decrease in accounts receivable	(171)
(Increase) decrease in unbilled revenues	(27,062)
(Increase) decrease in inventories	(50,193)
(Increase) decrease in deferred outflows related to pension	33,414
Increase (decrease) in net pension liability	(239,776)
Increase (decrease) in deferred inflows related to pension	131,203
Increase (decrease) in net OPEB liability	41,646
Increase (decrease) in accounts payable	316,380
Increase (decrease) in other current liabilities	(105,303)
Net cash provided by operating activities	<u><u>\$ 5,157,525</u></u>

See notes to the financial statements

**CITY OF CROSSVILLE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Crossville, Tennessee (the City) was incorporated under Chapter 362 of the Acts of Tennessee for the year 1901.

Executive and administrative authority resides with the Mayor, who is elected at-large, and the City Council, composed of five members, including the Mayor.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Reporting Entity**

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. The City had no component units at June 30, 2018.

**Related Organizations**

City officials are responsible for appointing the members of the boards of certain other related organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor or the City Council appoints the Board members of the Crossville Housing Authority and the Public Building Authority of the City of Crossville, Tennessee.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the government-wide statement of activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year for intergovernmental revenues and sixty days of the end of the fiscal period for property taxes and other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The City reports the following major governmental funds:

General Fund - The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition or construction of capital projects, other than those financed by Enterprise Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, loans, intergovernmental revenues, and earnings on investments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The proprietary funds of the City are described in further detail below:

Enterprise Funds – These funds are used to account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Crossville Water and Sewer Fund - The Water and Sewer Fund accounts for operations of the City's water and sewer services. The fund's revenues are derived primarily from user fees. The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer systems and facilities. Since it is the intention of the City to repay these bonds and loans through water and sewer fund operations, these obligations are reported in this fund.

Catoosa Water Fund – This fund was originally a separate utility district which was acquired by the City and provides water service to citizens within and without the City. It functions as an operation separate from the City's Water and Sewer Fund in every respect with the exception of a common governing body.

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) or committed sources requiring separate accounting because of legal or regulatory provisions or administrative action.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Budget Policy and Budgetary Data**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Finance Manager annually obtains information from all officers, departments, boards, commissions, and other agencies of City Government for which appropriations are made and/or revenues are collected and compiles the annual operating budget for the ensuing fiscal year beginning July 1. The compiled information, including various expenditure options and the means of financing them, is submitted to the Mayor.

During May and June, the City Council hears budget requests from agencies and departments at its regularly scheduled meetings. In addition, advertised public hearings are held to allow taxpayers' comments prior to final passage.

Prior to July, the City adopts an interim budget appropriating funds for the usual and ordinary expenses of the City Government in an amount not to exceed one-twelfth of the preceding year's operating budget for each month that the interim budget is in effect. Subsequently, the budget is legally enacted through passage of an ordinance with an operative date of July 1st.

Formal budgets are adopted for all funds. These formal budgets are adopted on a departmental basis and the line item estimates are from the appropriations ledger and not from a formal budget ordinance. The legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Manager may make interdepartmental and intradepartmental transfers within the General Fund.

Major capital facilities and improvements, which are accounted for by the City within the Capital Projects Fund, are subject to budgetary control on a project basis. Appropriations for a specific project do not lapse until completion of the project. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented in the accompanying financial statements.

The budgets are prepared on a basis consistent with generally accepted accounting principles. Encumbrance accounting is not utilized by the City and all unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2018, several supplemental appropriations were necessary for capital purposes.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Assets, Liabilities and Fund Equity**

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

**Investments** - Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices.

**Inventories and Prepaid Items** - Inventories, principally materials, supplies, and replacement parts, are valued at cost in governmental and proprietary funds, with cost determined using the first-in, first-out (FIFO) method. The costs are recorded as expenditures at the time individual inventory items are consumed (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Restricted Assets** - Proceeds of bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

**Capital Assets** - Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their acquisition value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems, and drainage systems. The City defines capital assets, other than infrastructure, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or greater. Infrastructure assets including streets, sidewalks, curbs, and guttering with an initial cost of \$10,000 or more are capitalized. Infrastructure assets including traffic signals, street lighting, and drainage systems with an initial cost of \$20,000 or more are capitalized.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	3-7 years
Plant and infrastructure	20-40 years

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

**Bond Discounts and Premiums** - In the governmental funds, bond discounts and premiums are treated as period costs in the year of issue. In proprietary funds, bond discounts and premiums are deferred and amortized over the term of the bonds using the straight-line method, which does not differ significantly from the effective interest method. Bond premiums are presented as an increase of the face amount of bonds payable. At the government-wide level any bond discounts and premiums in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

**Deferred Gain/Loss from Advance Refunding of Debt** - In the proprietary funds (and for governmental activities in the government-wide financial statements) the difference between the new debt and the net carrying value of the old debt on refunded debt transactions is deferred. The deferred gain/loss is amortized using the effective interest method over the life of the new debt.

**Fund Equity** - Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

**Assigned Fund Balance** - represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. The City Finance Manager has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance.

**Unassigned Fund Balance** - represents the residual classification for the general fund or deficit balances in other funds.



**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

**Deferred Outflows/Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category. The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. The City has deferred inflows and outflows resulting from the changes in the total OPEB liability each year, if applicable.

**Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

General obligation long-term debt principal and interest are reported only when due.

Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Property Taxes** - Property taxes are levied by the City annually based upon assessed valuations established by the State of Tennessee. The various types of property are assessed at a percentage of market value as follows:

Farm and residential real property	25%
Commercial and industrial property:	
Real	40%
Personal	30%
Public utilities real and personal property	55%

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. Property taxes are secured by a statutory lien effective as of the original levy date of January 1. Taxes are due August 1 and become delinquent December 1. Property taxes levied are recorded as receivables, net of estimated uncollectible amounts. The receivables collected during the current fiscal year and those collected by the City Treasurer related to tax levies for 2015, are recorded as revenue in accordance with the principles established by the Governmental Accounting Standards Board. The net receivables estimated to be collectible subsequent to August 29, are recorded as unavailable revenues at June 30, 2018.

**Grant Revenue** - The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are deferred. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

**Investment Income** - Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments.

**Compensated Absences** - The City's policies permit employees to accumulate earned but unused vacation leave up to a maximum of 240 hours, except fire department employees may accumulate up to a maximum of 318 hours. Any unused, earned vacation leave in excess of the maximum is rolled over to accrued sick leave. In addition, contingent to annual budget approval, employees may be eligible to convert a maximum of 80 hours (96 for fire department employees) of accumulated vacation leave to cash each year provided the employee has a remaining balance of at least 60 hours (72 for fire department employees) after converting. Employees are paid their

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

unused vacation hours upon termination. Also, all employees may accumulate sick leave without limitation. At retirement, employees are not paid for unused sick leave, but unused sick leave time is credited to service time for retirement purposes. Any employee who ceases employment, other than due to retirement, forfeits all unused, earned sick leave.

The liability for compensated absences (unused vacation time) is recorded as long-term debt in the government-wide statements for government activities and for business-type activities. The current portion of the compensated absences is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Interfund Transactions** - During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Amounts owed to one fund by another are reported as due to/due from other funds. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Indirect Costs** - Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Other Postemployment Benefits (OPEB)** - For economic resources accounting the liability should be recognized for the total OPEB liability. For current resources accounting the liability should be recognized to extent that the liability will be paid with expendable available financial resources. This usually means to the extent that benefit payments have matured (are due and payable).

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Net Investment in Capital Assets** - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

**Restricted** - represents a net position that has third party (statutory, bond covenant or granting agency) limitations on its use. The City's policy is generally to use restricted net position first, as appropriate opportunities arise.

**Unrestricted** - While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to alter these managerial decisions.

**Pollution Remediation Obligations** -The City recognizes pollution remediation obligations when an obligating event is identified, and a monetary estimate can be determined.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

The City incurred no material violations of finance related legal and contractual provisions.

**Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2018, the City had no material excess of expenditures over appropriations in individual funds.

**Net Position/Fund Balance Deficit**

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

For the year ended June 30, 2018, the City had no fund balance deficits.

**NOTE 3 - CASH AND INVESTMENTS**

The City uses a central cash and investment pool for certain Governmental Funds and Proprietary Funds. The cash and investment pool balances are classified as cash and cash equivalents in the accompanying financial statements. The City's investment policy with respect to the cash and investment pool is to maximize investment earnings while maintaining an acceptable level of risk. Because investments in the pool must provide for the future needs of the City, flexibility and liquidity of investments are generally maintained at all times.

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policies require purchases of investments with maturities of two years or less. The City presents its exposure to interest rate changes using the weighted average maturity method. The City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio for the primary government. The City's investment portfolio did not experience any significant fluctuations in fair value during the year.

**Custodial credit risk** - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. At June 30, 2018, all deposits were covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state-chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

**Credit risk** - The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. The City's investment policy includes specific policies involving credit risk.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2018, consist of the following:

<b>Primary Government</b>	<b>General Fund</b>	<b>Other Government al Funds</b>	<b>Water and Sewer Fund</b>
Property Taxes	\$ 2,929,328	\$ -	\$ -
Allowance for Uncollectable	(110,954)	-	-
Accounts Receivable, net	47,287	-	445,465
Other Receivables	571,760	-	28,246
Due from Other Governments	1,789,360	33,318	-
<b>Total</b>	<b>\$ 5,226,781</b>	<b>\$ 33,318</b>	<b>\$ 473,711</b>

Taxes receivable include the uncollected property taxes from tax levies made during the current and past fourteen years, as well as the anticipated levy for the current calendar year. The allowance for uncollectible taxes is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2018.

**NOTE 5 - INTERFUND TRANSFERS**

<b>From Fund</b>	<b>To Fund</b>	<b>Purpose</b>	<b>Amount</b>
General Fund	Capital Projects	To Fund Capital Projects	\$ 1,221,748
Water/Sewer Fund	General Fund	In Lieu of Taxes	200,000
<b>Total Transfers</b>			<b>\$ 1,421,748</b>

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,060,501	\$ 44,467	\$ -	\$ 8,104,968
Construction in progress	3,164,291	2,936,406	(882,322)	5,218,375
Total capital assets, not being depreciated	11,224,792	2,980,873	(882,322)	13,323,343
Capital assets being depreciated:				
Buildings and plant	10,056,460	11,413	-	10,067,873
Other improvements	17,562,578	52,777	-	17,615,355
Infrastructure	20,289,963	1,292,410	-	21,582,373
Machinery & equipment	10,377,287	659,916	(713,600)	10,323,603
Total capital assets being depreciated	58,286,288	2,016,516	(713,600)	59,589,204
Less accumulated depreciation for:				
Buildings, machinery, and other improvements	24,950,352	2,080,918	(73,818)	26,957,452
Infrastructure	-	-	-	-
Total accumulated depreciation	24,950,352	2,080,918	(73,818)	26,957,452
Total capital assets being depreciated, net	33,335,936	(64,402)	(639,782)	32,631,752
Governmental activities capital assets, net	<u>\$ 44,560,728</u>	<u>\$ 2,916,471</u>	<u>\$ (1,522,104)</u>	<u>\$ 45,955,095</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 574,816	\$ -	\$ -	\$ 574,816
Construction in progress	2,291,275	2,317,787	(439,910)	4,169,152
Total capital assets, not being depreciated	2,866,091	2,317,787	(439,910)	4,743,968
Capital assets being depreciated:				
Buildings and plant	115,920,906	175,903	-	116,096,809
Machinery & equipment	3,272,015	609,207	(155,375)	3,725,847
Total capital assets being depreciated	119,192,921	785,110	(155,375)	119,822,656
Less accumulated depreciation for all capital assets	49,950,082	3,046,063	(184,375)	52,811,770
Total capital assets being depreciated, net	69,242,839	(2,260,953)	29,000	67,010,886
Business-type activities capital assets, net	<u>\$ 72,108,930</u>	<u>\$ 56,834</u>	<u>\$ (410,910)</u>	<u>\$ 71,754,854</u>

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Depreciation expense was charged to function/programs as follows:**

**Governmental Activities:**

General government	\$ 178,503
Public safety	455,342
Parks & recreation	345,097
Streets	784,180
Sanitation	1,496
Cemetery	5,899
Airport	310,401
Total depreciation expense	<u>\$ 2,080,918</u>

**Business-type Activities:**

Water and Sewer fund	\$ 2,515,095
Catoosa Water fund	530,968
Total depreciaton expense	<u>\$ 3,046,063</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

Long -Term Debt

General Obligation Bonds, Capital Outlay Notes and Other Loans

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government.

General obligation bonds, capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2018, will be retired from the Debt Service Fund.

General obligation and revenue bonds, and other loans are issued pledging the revenue of the Crossville Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for original terms of up to 50 years for bonds and up to 30 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. These bonds and the State Revolving Loan as of June 30, 2018, will be retired from the Water and Sewer Fund.

Debt outstanding as of June 30, 2018 consisted of the following:



**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June, 30 2018</u>
<b>Governmental Activities:</b>				
Capital outlay notes	1.82%	2019	\$ 2,400,000	\$ 1,066,000
General obligation bonds	2.67% to 3.18%	2037	7,985,000	6,570,000
Other loans	1.55%	2024	968,000	370,000
			<u>\$ 11,353,000</u>	<u>\$ 8,006,000</u>
<b>Business-Type Activities:</b>				
General obligation and revenue bonds	1.75% to 2.95%	2034	\$ 17,869,000	\$ 16,599,000
Other loans	1.47% to 2.88	2038	10,498,805	8,045,121
			<u>28,367,805</u>	<u>24,644,121</u>
			<u>\$ 39,720,805</u>	<u>\$ 32,650,121</u>

Annual debt service requirements to maturity for bonds and notes payable are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 431,000	\$ 213,588	\$ 1,404,756	\$ 554,695
2020	1,231,000	190,057	1,442,018	525,415
2021	306,000	184,494	1,475,656	503,967
2022	313,000	178,526	1,514,686	482,098
2023	319,000	171,863	1,559,105	459,691
2024-2028	1,641,000	735,500	8,868,077	1,880,321
2029-2033	1,965,000	464,488	7,282,452	797,216
2034-2038	1,800,000	145,006	1,097,371	79,620
	<u>\$ 8,006,000</u>	<u>\$ 2,283,522</u>	<u>\$ 24,644,121</u>	<u>\$ 5,283,023</u>

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

A summary of long-term liability activity, including debt, for the year ended June 30, 2018 is as follows:

	Balance June, 30 2017	Increases	Decreases	Balance June, 30 2018	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 1,200,000	\$ -	\$ (134,000)	1,066,000	\$ 134,000
Bonds	6,805,000	-	(235,000)	6,570,000	240,000
Other Loans Payable	426,000	-	(56,000)	370,000	57,000
	8,431,000	-	(425,000)	8,006,000	431,000
Bond premium	14,505	-	(1,435)	13,070	1,435
Bond discount	(10,585)	-	651	(9,934)	(651)
Compensated Absences	293,694		(14,859)	278,835	-
Net Pension Liability	713,992	-	(468,884)	245,108	-
Net OPEB Obligation	207,121		(207,121)	-	-
Net OPEB Liability	-	1,419,040	-	1,419,040	-
	<u>\$ 9,649,727</u>	<u>\$ 1,419,040</u>	<u>\$ (1,116,648)</u>	<u>\$ 9,952,119</u>	<u>\$ 431,784</u>
	Balance June, 30 2017	Increases	Decreases	Balance June, 30 2018	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds	17,242,000	-	(643,000)	16,599,000	660,000
Other Loans Payable	10,654,040	-	(2,608,583)	8,045,457	744,756
	27,896,040	-	(3,251,583)	24,644,457	1,404,756
Bond premium	107,170	-	(6,957)	100,213	6,957
Compensated Absences	88,388	4,449	-	92,837	
Net Pension Liability	178,498	-	(117,220)	61,278	
Net OPEB Obligation	19,626	-	(19,626)	-	
Net OPEB Liability	-	334,360	-	334,360	
	<u>\$ 28,289,722</u>	<u>\$ 338,809</u>	<u>\$ (3,395,386)</u>	<u>\$ 25,233,145</u>	<u>\$ 1,411,713</u>

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years, subject to maximum deferral limitations provided in the plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust for the exclusive benefit of participating employees under the Small Business Job Protection Act of 1996. In addition, the City has little administrative involvement and does not perform the investing function for the plan. As a result, the assets and liabilities associated with the plan are excluded from the City's balance sheets. The City does not contribute to the plan.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 9. EMPLOYEE RETIREMENT SYSTEMS**

The City provides retirement benefits through a Pension Plan and an Other Postemployment Benefits Plan. The following is a summary of each of these plans:

Pension Plan

*Plan description.* Employees of Crossville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related, and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	112
Active Employees	<u>115</u>
Total Employees	<u>325</u>

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The City withdrew from TCRS effective July 1, 2014. Employees hired after the date of withdraw are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Crossville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for Crossville were \$872,965 based on a rate of 12.59 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Crossville's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Crossville's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Crossville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

**Increase (Decrease)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Liability (Asset) (a)– (b)</b>
<b>Balance at 6/30/16</b>	<b><u>\$22,824,804</u></b>	<b><u>\$21,932,314</u></b>	<b><u>\$ 892,490</u></b>
<b>Changes for the year:</b>			
Service cost:	411,762	-	411,762
Interest	1,704,397	-	1,704,397
Differences between expected and actual experience	101,542	-	101,542
Changes in Assumptions	579,067		579,067
Contributions-employer	-	914,088	(914,088)
Contributions-employees	-	-	-
Net investment income	-	2,478,568	(2,478,568)
Benefit payments, including refunds of employee contributions	(1,022,547)	(1,022,547)	-
Administrative expense	-	(9,785)	9,785
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes</b>	<b><u>1,774,221</u></b>	<b><u>2,360,324</u></b>	<b><u>(586,103)</u></b>
<b>Balance at 6/30/17</b>	<b><u>\$24,599,025</u></b>	<b><u>\$24,292,638</u></b>	<b><u>\$ 306,387</u></b>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents then net pension liability (asset) of Crossville calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Crossville's net pension liability (asset)	\$ 3,720,898	\$ 306,387	(\$2,526,408)

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Pension expense.* For the year ended June 30, 2018, Crossville recognized pension expense of \$597,012.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, Crossville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 598,837	\$ 291,561
Net difference between projected and actual earnings on pension plan investment	1,444	-
Changes on Assumptions	482,556	
Contributions subsequent to the measurement date of June 30, 2017	<u>1,619,388</u>	<u>(not applicable)</u>
Total	<u>\$2,702,225</u>	<u>\$ 291,561</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2019	\$ 111,557
2020	440,121
2021	253,227
2022	(127,072)
2023	113,435
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Payable to the Pension Plan**

At June 30, 2018, Crossville reported a payable of \$109,593 for required contributions to the pension plan for the year then ended.

Other Postemployment Benefits

The City adopted GASB Statement NO. 75 for the fiscal year beginning July 1, 2017. An actuarial valuation has been completed of the liabilities for postemployment benefits other than pensions (OPEB) for the fiscal year ending June 30, 2018.

**Funding Policy and Other Information:**

**Plan description-** The City currently pays for Other Postemployment Benefits on a pay-as-you-go basis. The City provides postemployment medical benefits to all employees and their families who retire with at least 30 years of service and are not less than age 55 or with at least 20 years of service and are not less than age 60, until they are eligible for Medicare benefits. All active employees who retire directly from the City and meet eligibility criteria may participate.

**Benefits provided** - The City offers health insurance coverage to eligible pre-65 retirees participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. The City pays the full single coverage contribution rate for these benefits and approximately 55% of the contribution rate for family coverage. Other benefits such as dental and life coverage are available to retirees but are not deemed subsidized by the City. The OPEB plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** – In the June 30, 2018 actuarial valuation, the following employees and retirees of the City was covered by the benefit terms of the OPEB plan:

<b>Status</b>	<b>Employees Only</b>	<b>Employee &amp; Family</b>	<b>Total</b>
Active	82	85	167
Retired	<u>12</u>	<u>3</u>	<u>15</u>
Total	<u>94</u>	<u>88</u>	<u>182</u>

*This table reflect eligible active employees and retirees as of Jun8 based on the data provided. Excluded are plan participants who were 65 or older on that date or hire after that date.*

The City establishes the required payments to the OPEB by employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For



**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

the fiscal year ended June 30, 2018, the City paid \$116,027 to the plan for OPEB benefits as they came due.

***Total OPEB Liability***

***Actuarial assumptions*** - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation/Discount Rate	3.88% (0.88% real rate of return plus 3.00% inflation.
Salary increases	3.50%
Healthcare cost trend rates	6.50% initial for FY2018 grading to 3.50% in FY2024
Retiree's share of benefit-related costs	No contribution paid by the retiree for single medical coverage and approximately 45% contribution for additional family medical coverage. Monthly contribution for retiree for Network P is \$455.39 for Family, \$269.45 for retiree and spouse and \$209.28 for retiree and children.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2017. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

***Discount rate*** - The discount rate used to measure the total OPEB liability was selected by reviewing the recent published Bond Buyer GO-20 bond index. This is one of the indices acceptable under GASB 75. This index is published weekly and is tending towards 4.00% in recent months. The Actuarial Report selected 3.88% as the discount rate for this valuation.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability (a)</b>
Balances at June 30, 2017	<u>\$ 1,777,672</u>
Changes for the year:	
Service cost	47,916
Interest	68,111
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	-
Benefit payments	<u>(140,299)</u>
Net changes	<u>(24,272)</u>
Balances at June 30, 2018	<u><u>\$ 1,753,400</u></u>

***Changes in assumptions*** – is amortized over the average remaining service of active employees and inactive participants.

***Sensitivity of total OPEB liability to changes in the discount rate*** - The following presents the total OPEB liability related to the City's OPEB plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate.

	1% Decrease (2.88%)	Discount Rate (3.88%)	1% Increase (4.88%)
Total OPEB Liability	\$ 1,628,956	\$ 1,753,400	\$ 1,888,550

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

***Sensitivity of total OPEB liability to changes in the healthcare cost trend rate*** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current healthcare cost trend rate.

	1% Decrease (5.50%)	Healthcare Cost Trend Rates (6.50%)	1% Increase (7.50%)
Total OPEB Liability	\$ 1,599,442	\$ 1,753,400	\$ 1,933,920

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

***OPEB expense*** - For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$116,027.

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Employer payments subsequent to the measurement date	-	-
Total	-	-

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

For the year ended June 30:	
2019	-
2020	-
2021	-
2022	-
2023	-
Thereafter	-

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

**NOTE 10 - WATER SALES AGREEMENTS**

In May 2007, the City entered into a water sales agreement with Fall Creek Falls Utility District ("FCFUD") as purchaser, and South Cumberland Utility District ("SCUD") as transporter. The term of the contract is for twenty-five years beginning from the date the transporter of the water begins delivering water to the purchaser. The contract stipulates that the City will sell portable treated water up to 10,000,000 gallons per month to FCFUD.

In November 2006, the City entered into a water service contract with SCUD to provide all SCUD's portable water needs provided that SCUD's demands do not exceed the City's capacity to furnish portable water to all of the City's customers. The contract became effective January 1, 2007, and terminates on December 31, 2018, unless, extended by mutual agreement by both parties. The initial contract price of the water is \$2.67 for each 1,000 gallons which is subject to rate adjustment annually on January 1st. The parties have agreed that any rate increase to SCUD will be the same percentage rate increase as established by the City's customers inside the City and shall become effective at the same time as the rate increase to the City's customers inside the City.

In April 2007, the City entered into a water service contract with Grandview Utility District ("GUD") to provide all of GUD's portable water needs provided that GUD's demands do not exceed the City's capacity to furnish portable water to all of the City's customers. The contract became effective May 1, 2007, and terminates on December 31, 2018, unless extended by mutual agreement by both parties. The initial contract price of the water is \$2.67 for each 1,000 gallons which is subject to rate adjustment annually on January 1st. The parties have agreed that any rate increase to GUD will be the same percentage rate increase as established by the City's

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

customers inside the City and shall become effective at the same time as the rate increase to the City's customers inside the City.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

The City is party to various lawsuits and claims in the ordinary course of their operations. Management believes that the potential adverse impact of these proceedings would not be material to the basic financial statements of the City. The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material. The City has entered into various construction commitments. Such contracts include contracts for improvements to the water and sewer plant, and acquisition and construction contracts related to general government capital projects.

Several of these contracts were in progress but not completed as of June 30, 2018. The total contractual commitments outstanding as of June 30, 2018, were not significant and the City has sufficient funds available to cover these commitments.

**NOTE 12. LANDFILL POSTCLOSURE CARE COSTS**

The postclosure care costs of the City landfill closed in 1993 are accounted for in the primary government governmental activities. State and federal regulations require the City to place a final cover on all landfills after closure, and the City must perform certain maintenance and monitoring functions for 30 years thereafter. The City recognizes landfill postclosure care costs based on the amount of the landfill used during the year. The estimated liability for landfill postclosure care costs of \$141,481 at June 30, 2018 is based on the use of 100 percent of the capacity of the City landfill.

Changes in the estimated liability for landfill postclosure care costs for the year ended June 30, 2018, are as follows:

Estimated liability, June 30, 2017	\$ 141,481
Costs Incurred	<u>(26,931)</u>
Estimated liability, June 30, 2018	<u>\$ 114,551</u>
Due within one year	14,319

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The estimated total current cost of the landfill postclosure care of \$114,551 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired at June 30, 2018. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 13. IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

In July 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The pronouncement establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans.

Under this pronouncement, employers providing certain Postemployment Benefits Other than Pensions must measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in connection with providing Postemployment Benefits Other than Pensions to employees in their enterprise funds and government-wide financial statements. Footnote 14 addresses the prior period adjustments required to implement GASB No. 75.

**NOTE 14. PRIOR PERIOD ADJUSTMENTS**

Beginning net position of the Water/Sewer fund, as of June 30, 2017 was restated. The adjustment the effects of the implementation of GASB 75. Net position as of June 30, 2017 was restated from \$ 53,975,271 to 53,658,215.

Beginning net position in the governmental activities, as of June 30, 2017 was restated. The adjustment relates the effects of the implementation of GASB 75. Net position as of June 30, 2017 was restated from \$ 51,763,090 to \$50,416,465.

## **Required Supplementary Information**

**City of Crossville, Tennessee**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**General Government Employees**  
**For the Fiscal Years Ended June 30th**

	2014	2015	2016	2017
<b>Total Pension Liability (Asset)</b>				
Service Cost	\$ 483,925	\$ 465,416	\$ 409,474	\$ 411,762
Interest	1,419,255	1,525,912	1,658,850	1,704,397
Changes in benefit terms	-	-	-	-
Differences Between Actual and Expected Experience	292,564	777,668	(437,343)	101,542
Changes of Assumptions	-	-	-	579,067
Benefit Payments, Including Refunds of Employee Contributions	(658,561)	(851,717)	(1,029,393)	(1,022,547)
<b>Net Change in Total Pension Liability (Asset)</b>	1,537,183	1,917,279	601,588	1,774,221
Total Pension Liability (Asset), Beginning	18,768,754	20,305,937	22,223,216	22,824,804
Total Pension Liability (Asset), Ending (a)	\$ 20,305,937	\$ 22,223,216	\$ 22,824,804	\$ 24,599,025
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 845,936	\$ 735,344	\$ 668,277	\$ 914,088
Contributions - Employee	1,581	239	-	-
Net Investment Income	3,001,114	651,137	571,479	2,478,568
Benefit Payments, Including Refunds of Employee Contributions	(658,561)	(851,717)	(1,029,393)	(1,022,547)
Administrative Expense	(6,446)	(6,937)	(9,093)	(9,785)
Other	-	-	-	0
Net Change in Plan Fiduciary Net Position	3,183,624	528,066	201,270	2,360,324
Plan Fiduciary Net Position, Beginning	18,019,353	21,202,977	21,731,043	21,932,313
Plan Fiduciary Net Position, Ending (b)	\$ 21,202,977	\$ 21,731,043	\$ 21,932,313	\$ 24,292,637
Net Pension Liability (Asset), Ending (a - b)	\$ (897,040)	\$ 492,173	\$ 892,491	\$ 306,388
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.42%	97.79%	96.09%	98.75%
Covered Employee Payroll	\$ 5,915,632	\$ 5,387,134	\$ 4,895,799	\$ 5,078,268
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-15.16%	9.14%	18.23%	6.03%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.



**City of Crossville, Tennessee**  
**Schedule of Contributions Based on Participation in the Public**  
**Employee Pension Plan of TCRS**  
**For the Fiscal Years Ended June 30th**

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 845,936	\$ 735,334	\$ 668,277	\$ 692,676	\$ 872,965
Contributions in relation to the actuarially determined contribution	845,936	735,334	668,277	914,088	872,965
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (221,412)	\$ -
Covered Payroll	\$ 5,915,632	\$ 5,387,134	\$ 4,895,799	\$ 5,078,268	\$ 6,935,272
Contributions as a Percentage of Covered Payroll	14.30%	13.65%	13.65%	18.00%	12.59%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**City of Crossville, Tennessee**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**June 30, 2018**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 47,916
Interest	68,111
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(140,299)
<b>Net change in total OPEB liability</b>	<u>(24,272)</u>
<b>Total OPEB liability - beginning</b>	<u>1,777,672</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 1,753,400</u></u>
 Covered-employee payroll	 \$ 6,289,366
Total OPEB liability as a percentage of covered-employee payroll	27.88%

\*\*There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as the become available.

**CITY OF CROSSVILLE, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

*Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.*

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

See independent auditor's report

# **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**City of Crossville, Tennessee**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>State Street Aid</b>	<b>Drug Control</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 91,019	\$ 55,342	\$ 146,361
Investment in pooled cash	173,364	67,534	240,898
Due from other governments	33,318	-	33,318
Total Assets	<u>297,701</u>	<u>122,876</u>	<u>420,577</u>
<b>LIABILITIES</b>			
Accounts payable	9,232	-	9,232
Total Liabilities	<u>9,232</u>	<u>-</u>	<u>9,232</u>
<b>FUND BALANCES</b>			
Restricted:			
Restricted for drug control and investigation	-	122,876	122,876
Restricted for streets and roads	288,469	-	288,469
Total Fund Balances	<u>288,469</u>	<u>122,876</u>	<u>411,345</u>
Total Liabilities and Fund Balances	<u>\$ 297,701</u>	<u>\$ 122,876</u>	<u>\$ 420,577</u>

See independent auditor's report

**City of Crossville, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>State Street Aid</b>	<b>Drug Control</b>	
<b>Revenues</b>			
Other local revenues	\$ -	\$ 37,150	\$ 37,150
Fines, forfeitures and penalties	-	19,998	19,998
Sale of surplus property	-	30,151	30,151
Intergovernmental	365,466	-	365,466
Interest earnings	2,313	902	3,215
<b>Total Revenues</b>	<b>367,779</b>	<b>88,201</b>	<b>455,980</b>
<b>Expenditures</b>			
Drug investigation and control	-	56,460	56,460
Streets	278,460	-	278,460
<b>Total Expenditures</b>	<b>278,460</b>	<b>56,460</b>	<b>334,920</b>
<b>Excess of Revenues Over Expenditures</b>	<b>89,319</b>	<b>31,741</b>	<b>121,060</b>
<b>Net change in fund balances</b>	<b>89,319</b>	<b>31,741</b>	<b>121,060</b>
<b>Fund balances - beginning</b>	<b>199,150</b>	<b>91,135</b>	<b>290,285</b>
<b>Fund balances - ending</b>	<b>\$ 288,469</b>	<b>\$ 122,876</b>	<b>\$ 411,345</b>

See independent auditor's report

**City of Crossville, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**State Street Aid**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>With Final Budget</b>
<b>Revenues</b>				
State Gas & Motor Fuel Tax	\$ 290,000	\$ 290,000	\$ 365,466	\$ 75,466
Interest earnings	500	500	2,313	1,813
Total revenues	290,500	290,500	367,779	77,279
<b>Expenditures</b>				
Street lighting	287,000	287,000	278,460	8,540
Total expenditures	287,000	287,000	278,460	8,540
Excess of revenues over expenditures	3,500	3,500	89,319	85,819
<b>Net change in fund balances</b>	<b>\$ 3,500</b>	<b>\$ 3,500</b>	<b>89,319</b>	<b>\$ 85,819</b>
Fund balances - beginning			199,150	
Fund balances - ending			<u>\$ 288,469</u>	

See independent auditor's report

**City of Crossville, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Drug Control Fund**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>With Final Budget</b>
<b>Revenues</b>				
Drug related fines	\$ 20,000	\$ 20,000	\$ 19,998	\$ (2)
Sale of surplus/confiscated property	10,000	10,000	30,151	20,151
Interest earned	300	300	902	602
Miscellaneous income	-	-	24,860	24,860
Contributions	15,000	15,000	12,290	(2,710)
Total revenues	45,300	45,300	88,201	42,901
<b>Expenditures</b>				
<u>Drug Investigation and Control</u>				
Drug dog program	10,000	10,000	13,624	(3,624)
Supplies	5,000	5,000	2,446	2,554
Grants and contracts	25,000	25,000	12,390	12,610
Capital outlay	-	-	28,000	(28,000)
Total expenditures	40,000	40,000	56,460	(16,460)
Excess of revenues over expenditures	5,300	5,300	31,741	26,441
<b>Net change in fund balances</b>	<u>\$ 5,300</u>	<u>\$ 5,300</u>	31,741	<u>\$ 26,441</u>
Fund balances - beginning			91,135	
Fund balances - ending			<u>\$ 122,876</u>	

-

See independent auditor's report



CITY OF CROSSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2018

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Expenditures
Passed through Tennessee Department of Transportation:			
Alcohol Saturation and Checkpoints	20.607	154AL17-54	2,051
Alcohol Saturation and Checkpoints	20.607	154a11854/154al	28,743
Northwest Connector	20.205	Contract # 140210	305,111
Total U.S. Department of Transportation			<u>335,905</u>
TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			
Three Star Grant	x	33007-00100	4,915
			<u>4,915</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	Vests x	2009BUBX09049954	1,693
Total U.S. Department of Justice			<u>1,693</u>
TN DEPARTMENT OF AGRICULTURE			
State Tree Board Grant	10.675	16-DG-11073147-001	25,600
Tennessee Ag Enhancement Program	N/A	Contract # 66565	5,000
TOTAL EXPENDITURES OF TN DEPARTMENT OF AGRICULTURE			<u>30,600</u>
STATE AWARDS			
Tennessee of Department of Transportation			
Aeronautics division grant	Maintenance	N/A	9,159
Airport	Fuel Truck	N/A	10,000
Colinx			378,516
Department of Economic and Community Development		Edison # 50237	
Site Grant		Edison #11645	179,773
LPRF Garrison Park	N/A	Edison # 50740	65,254
State Transportation			2,875
Certified Sites			4,237
TOTAL EXPENDITURES OF STATE AWARDS			<u>649,814</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 1,022,927</u>

See independent auditor's report

**City of Crossville, Tennessee**  
**Schedule of Principal and Interest Requirements**  
**Governmental Activities**  
**June 30, 2018**

Fiscal Year	E911 TMBF 2004		Series A Bonds		Series B Bonds		TMBF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 57,000	\$ 4,625	\$ 25,000	\$ 122,944	\$ 215,000	\$ 68,031	\$ 134,000	\$ 17,988	\$ 431,000	\$ 213,588
2020	59,000	3,913	20,000	122,413	220,000	63,731	932,000	-	1,231,000	190,057
2021	61,000	3,175	25,000	121,988	220,000	59,331	-	-	306,000	184,494
2022	63,000	2,413	25,000	121,456	225,000	54,656	-	-	313,000	178,525
2023	64,000	1,625	30,000	120,925	225,000	49,313	-	-	319,000	171,863
2024	66,000	825	30,000	120,288	230,000	43,688	-	-	326,000	164,801
2025	-	-	30,000	119,388	235,000	37,075	-	-	265,000	156,463
2026	-	-	30,000	118,488	310,000	30,025	-	-	340,000	148,513
2027	-	-	30,000	117,588	320,000	20,725	-	-	350,000	138,313
2028	-	-	30,000	116,688	330,000	10,725	-	-	360,000	127,413
2029	-	-	370,000	115,788	-	-	-	-	370,000	115,788
2030	-	-	380,000	104,688	-	-	-	-	380,000	104,688
2031	-	-	395,000	93,288	-	-	-	-	395,000	93,288
2032	-	-	405,000	81,438	-	-	-	-	405,000	81,438
2033	-	-	415,000	69,288	-	-	-	-	415,000	69,288
2034	-	-	430,000	56,838	-	-	-	-	430,000	56,838
2035	-	-	445,000	43,400	-	-	-	-	445,000	43,400
2036	-	-	455,000	29,494	-	-	-	-	455,000	29,494
2037	-	-	470,000	15,275	-	-	-	-	470,000	15,275
Totals	\$ 370,000	\$ 16,576	\$ 4,040,000	\$ 1,811,663	\$ 2,530,000	\$ 437,300	\$ 1,066,000	\$ 17,988	\$ 8,006,000	\$ 2,283,527

See independent auditor's report

**City of Crossville, Tennessee**  
**Schedule of Principal and Interest Requirements**  
**Business-Type Activities**  
**June 30,2018**

Fiscal Year	SRF DWI 12-116		SRF CWI 2015-346		SRF 00-020		SRF-WWTP		SRF 2010	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 67,068	\$ 26,592	\$ 74,952	\$ 26,052	\$ 319,632	\$ 28,260	134,232	\$ 43,512	\$ 148,872	\$ 47,736
2020	68,328	25,332	76,164	24,840	325,344	22,560	138,098	39,646	153,085	43,523
2021	69,624	24,036	77,400	23,604	331,140	16,752	142,075	35,669	157,417	39,191
2022	70,932	22,728	78,660	22,344	337,056	10,848	146,167	31,577	161,872	34,736
2023	72,276	21,384	79,932	21,072	343,068	4,836	150,376	27,368	166,453	30,155
2024	73,632	20,028	81,228	19,776	86,201	255	154,707	23,037	171,163	25,445
2025	75,024	18,636	82,548	18,456			159,163	18,581	176,007	20,601
2026	76,440	17,220	83,892	17,112			163,746	13,998	180,988	15,620
2027	77,880	15,780	85,248	15,756			168,462	9,282	186,110	10,498
2028	79,356	14,304	86,628	14,376			153,819	4,430	184,834	5,231
2029	80,844	12,816	88,032	12,972						
2030	82,368	11,292	89,460	11,544						
2031	83,928	9,732	90,912	10,092						
2032	85,512	8,148	92,388	8,616						
2033	87,120	6,540	93,888	7,116						
2034	88,764	4,896	95,412	5,592						
2035	90,432	3,228	96,960	4,044						
2036	92,148	1,512	98,532	2,472						
2037	23,307	108	91,718	869						
2038	7,684		8,414	11						
Totals	\$ 1,452,667	\$ 264,312	\$ 1,652,368	\$ 266,716	\$ 1,742,441	\$ 83,511	\$ 1,510,844	\$ 247,101	\$ 1,686,801	\$ 272,736

See independent auditor's report

City of Crossville, Tennessee  
Schedule of Principal and Interest Requirements  
Business-Type Activities  
June 30, 2018

Fiscal Year	LGLP Series 2014 Refunding				2012 Series C Bonds		Total	
	LGLP Series 2014 Water Loan		Loan				Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2019	\$ 235,000	\$ 50,400	\$ 285,000	89,948	\$ 140,000	\$ 242,194	\$ 1,404,756	\$ 554,694
2020	245,000	46,288	291,000	85,231	145,000	237,994	1,442,018	525,414
2021	255,000	46,113	298,000	83,508	145,000	235,094	1,475,656	503,967
2022	265,000	45,938	305,000	81,733	150,000	232,194	1,514,686	482,098
2023	280,000	45,763	312,000	79,919	155,000	229,194	1,559,105	459,691
2024	295,000	45,500	320,000	78,064	425,000	225,900	1,606,931	438,005
2025	305,000	45,238	327,000	76,153	610,000	213,150	1,734,742	410,815
2026	320,000	45,063	335,000	74,213	635,000	194,850	1,795,067	378,076
2027	330,000	44,800	343,000	72,218	655,000	175,800	1,845,701	344,134
2028	350,000	44,625	351,000	70,176	680,000	156,150	1,885,637	309,292
2029			359,000	68,088	695,000	135,750	1,222,876	229,626
2030			368,000	65,955	1,075,000	114,900	1,614,828	203,691
2031			377,000	63,759	1,205,000	82,650	1,756,840	166,233
2032			385,000	61,513	1,550,000	46,500	2,112,900	124,777
2033			394,000	59,232			575,008	72,888
2034			404,000	56,888			588,176	67,376
2035							187,392	7,272
2036							190,680	3,984
2037							115,025	977
2038							16,098	11
							-	-
Totals	\$ 2,880,000	\$ 459,728	\$ 5,454,000	\$ 1,166,598	\$ 8,265,000	\$ 2,522,319	\$ 24,644,121	\$ 5,283,021

See independent auditor's report

**City of Crossville, Tennessee**  
**Schedule of Changes in Property Taxes Receivable - by Levy Year**  
**June 30, 2018**

Tax Year	Property Taxes Receivable Balance July 1, 2017	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Taxes Receivable Balance June 30, 2018	Allowance for Uncollectibles	Net Receivable Balance June 30, 2018
2018	0.59%					\$ 2,667,035		
2017	0.59%				2,669,456		(178,441)	2,419,920
2016	0.63%	425,928,952	2,683,354	73,474			(276)	33,089
2015	0.63%	415,156,189	2,615,491	30,346			(243)	7,943
2014	0.53%	409,292,914	2,169,252	18,813				6,045
2013	0.53%	384,426,995	2,037,469	13,583				1,485
2012	0.53%	373,269,625	1,978,329	12,244			-	1,111
2011	0.55%	369,102,842	2,030,073	8,724			-	1,556
2010	0.55%	355,988,256	1,957,943	3,973			-	
2009	0.55%	354,670,332	1,955,058	2,915			-	2,141
Before 2009				19,570			(16,232)	3,338
Totals		\$ 3,087,836,105	\$ 17,426,969	\$ 183,642	\$ 2,669,456	\$ 2,667,035	\$ (195,192)	\$ 2,476,628

See independent auditor's report



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association.  
Copyright © 2014. All Rights Reserved.

Click to access definition  
 Click to add a comment

Water Audit Report for: **City of Crossville, TN**  
Reporting Year: **2017-18** **7/2017 - 6/2018**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

## WATER SUPPLIED

Volume from own sources:   9 1,350.377 MG/Yr  
Water imported:   n/a 0.000 MG/Yr  
Water exported:   8 252.946 MG/Yr

## Master Meter and Supply Error Adjustments

Pcnt:   5 0.50% ☒ ☐ Value:  MG/Yr  
  ☐ ☐ MG/Yr  
  ☒ ☐ MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 1,090.713 MG/Yr**

## AUTHORIZED CONSUMPTION

Billed metered:   10 806.755 MG/Yr  
Billed unmetered:   n/a 0.000 MG/Yr  
Unbilled metered:   5 0.000 MG/Yr  
Unbilled unmetered:   13.634 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION: 820.389 MG/Yr**

Click here:  for help using option buttons below

Pcnt:   1.25% ☒ ☐ Value:  MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:   0.25% ☒ ☐ Value:  MG/Yr

1.50% ☒ ☐ MG/Yr  
  0.25% ☒ ☐ MG/Yr

## WATER LOSSES (Water Supplied - Authorized Consumption)

### Apparent Losses

Unauthorized consumption:   2.727 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:   10 12.286 MG/Yr  
Systematic data handling errors:   2.017 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses: 17.029 MG/Yr**

## Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:   253.295 MG/Yr

**WATER LOSSES: 270.324 MG/Yr**

## NON-REVENUE WATER

**NON-REVENUE WATER: 283.958 MG/Yr**

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains:   7 125.0 miles  
Number of active AND inactive service connections:   8 12,938  
Service connection density:   104 conn./mile main

Are customer meters typically located at the curbside or property line?   Yes

Average length of customer service line:   (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:   5 110.0 psi

## COST DATA

Total annual cost of operating water system:   10 \$2,481,984 \$/Year  
Customer retail unit cost (applied to Apparent Losses):   10 \$6.55 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):   10 \$409.50 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

**\*\*\* YOUR SCORE IS: 88 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

## PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.  
Copyright © 2014, All Rights Reserved.

Water Audit Report for: **City of Crossville, TN**

Reporting Year: **2017-18** **7/2017 - 6/2018**

**\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 \*\*\***

### System Attributes:

Apparent Losses:	<b>17.029</b>	MG/Yr
+	Real Losses:	<b>253.295</b> MG/Yr
=	<b>Water Losses:</b>	<b>270.324</b> MG/Yr

? Unavoidable Annual Real Losses (UARL): **105.07** MG/Yr

Annual cost of Apparent Losses: **\$111,542**

Annual cost of Real Losses: **\$103,724**

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **26.0%**

Non-revenue water as percent by cost of operating system: **8.9%**

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **3.61** gallons/connection/day

Real Losses per service connection per day: **53.64** gallons/connection/day

Real Losses per length of main per day\*: **N/A**

Real Losses per service connection per day per psi pressure: **0.49** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **253.29** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.41**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**City of Crossville, Tennessee**  
**Schedule of Tax Rates and Assessments**  
**June 30, 2018**

<b>Year of Levy</b>	<b>Rate</b>	<b>Assessment</b>	<b>Tax Assessed</b>
2018	0.59%	451,656,720	2,667,035
2017	0.59%	452,066,777	2,669,456
2016	0.63%	425,928,952	2,683,354
2015	0.63%	415,156,189	2,615,491
2014	0.53%	409,292,914	2,169,252
2013	0.53%	384,426,995	2,037,469
2012	0.53%	373,269,625	1,978,329
2011	0.55%	369,102,842	2,030,073
2010	0.55%	355,988,256	1,957,943
2009	0.55%	354,670,332	1,955,058
2008	0.55%	348,200,080	1,915,107

See independent auditor's report



**City of Crossville, Tennessee**  
**Schedule of Utility Rate Structure and Number of Customers**  
**June 30, 2018**

**WATER AND SEWER CUSTOMER RATES**

	<u>Inside the City</u>			<u>Outside the City</u>		
<u>First 2,000 gallons</u>						
Water	\$	10.68	Minimum Bill	\$	16.04	Minimum Bill
Sewer		15.08	Minimum Bill		22.62	Minimum Bill
<u>All Over 2,000 gallons</u>						
Water	\$	5.34	per 1,000 gallons	\$	8.02	per 1,000 gallons
Sewer		7.54	per 1,000 gallons		11.31	per 1,000 gallons
Utility Districts						
<b>South Cumberland</b>				\$	3.88	per 1,000 gallons
<b>Grandview</b>					3.88	per 1,000 gallons
<u>Number of Customers</u>	<u>Inside the City</u>			<u>Outside the City</u>		<u>Totals</u>
Water Customers						
Residential			3,870		7,428	11,298
Commercial			1,385		214	1,599
Industrial			31		1	32
Utility District Taps			-		9	9
Total Water Customers			5,286		7,652	12,938
Total Sewer customers			5058		25	5083

See independent auditor's report

# **INTERNAL CONTROL AND COMPLIANCE SECTION**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council  
City of Crossville, Tennessee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crossville, Tennessee (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mg Group, P.C.*

Tullahoma, Tennessee  
October 25, 2018

**City of Crossville, Tennessee**  
**Schedule of Prior Year Findings**  
**June 30, 2018**

*Government Audit Standards* require auditors to report the status of uncorrected findings for prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their status from the Financial Statements and Supplementary Information of the City of Crossville, for year ended June 30, 2017.

***Prior-year Financial Statement Findings***

<b>Prior Year Finding Number</b>	<b>Title of Finding</b>	<b>Status/ Current Year Finding Number</b>
<b>2017-001</b>	<b><i>Significant Deficiency: Documentation for Disbursements</i></b>	<b>Corrected</b>
<b>2017-002</b>	<b><i>Significant Deficiency: Lack of Segregation of Duties</i></b>	<b>Corrected</b>
<b>2017-003</b>	<b><i>Significant Deficiency: Cash Overdraft</i></b>	<b>Corrected</b>
<b>2017-004</b>	<b><i>Significant Deficiency: Confidential Funds Account</i></b>	<b>Corrected</b>
<b>2017-005</b>	<b><i>Significant Deficiency: Retainage in Construction Projects</i></b>	<b>Corrected</b>

**CITY OF CROSSVILLE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2018**

---

**PART I. SUMMARY OF AUDIT RESULTS**

1. The auditor's report gives an unmodified opinion on the financial statements of the City of Crossville.
2. The audit of the financial statements of the City of Crossville disclosed no significant deficiencies in internal control and compliance.
3. The audit of the financial statements of the City of Crossville did not disclose any material weaknesses.

**PART II. FINDINGS – FINANCIAL STATEMENTS**

None reported for the year ended June 30, 2018.